Securing Success

In September 2012 I circulated a paper, UWA Futures, to initiate a university-wide discussion about how we could adapt and respond to the changing higher education environment within Australia and internationally. Many individuals and groups from across the University contributed to the discussion, made suggestions and recommendations, and played a part in refining and then activating the fifteen proposals contained in UWA Futures.

Since then, we have seen a huge amount of change both within UWA and beyond. We have continued our ascent in the Academic Ranking of World Universities, we have seen the first students graduate from our ‘New Courses’ undergraduate degrees, we have reviewed our internal administrative structure and operations, and we have launched our Centenary fund-raising campaign (and so far have received gifts and pledges totaling $283 million).

We have watched as universities across the world (including UWA) have embraced the concept of massive open online courses (MOOCs), as for-profit universities have extended their reach (Torrrens University in Adelaide, owned and operated by the $5 billion company Laureate Education, admitted its first students in 2014), and as the university systems in South East Asian countries have continued to develop and expand (there are now seven Chinese universities in the ARWU top 200).

We have witnessed controversy and stalemate in parliamentary discussions of higher education reform in Australia, we have experienced further reductions in public funding of university research, and we have had to accommodate the financial impact of a ‘half cohort’ of students commencing their undergraduate courses in 2015.
It is now time to take stock of our achievements since 2012, consider how to further respond to the changing external environment, and benchmark ourselves against our peers. To secure our future success, we must examine our own performance and potential with the same critical gaze that we regularly direct towards others. The process of peer review, which underpins the quest for excellence and innovation in academic research, can act as a model for us as we consider our own individual and institutional achievements. We must critically assess our performance against objective standards, and we must do this in a transparent manner so that our conclusions can be tested and challenged by others. Peer review can be a confronting process, and many of us know from experience that reviewers’ comments can sometimes sting, but the intention is always to improve, to help make the end result the best it can possibly be.

I am sure that we all want UWA to be the very best it can be, and in this we have a responsibility both to our predecessors on whose achievements we build, and to our successors for whom we must create the opportunities and prerequisites for future growth and success. In this paper I review the current circumstances and performance of the University, identify the progress we have made over the last three years, highlight the principal challenges which we must address, and indicate a number of options that collectively we need to evaluate.

To set the context the first section of the paper outlines the business model of Australian universities, and the second section looks specifically at UWA - how we earn revenue, how we spend it, and how we compare with our Group of Eight peers. It makes for sobering reading - we are spending more than we are earning, and have been doing so for a number of years, so we will have to change our behaviour. Section 3 reviews the actions and achievements of the past three years, measures them against the objectives set in 2012 in the UWA Futures paper, and outlines the next steps the University needs to take to secure its future success. The final section outlines the process for discussing and developing our next steps.

1. The business model of Australian universities

Universities generate their core revenue from two activities - teaching and research - with teaching being the principal source of revenue. Additional revenue comes from the sale of services (student residences, catering), investments, gifts and donations. Universities spend most of their revenue on staff salaries. At UWA we spend more than $2 million every working day on salaries, and a further $1 million a day on the other costs of running the university (buildings, utilities, supplies).

Achieving the right balance of income and expenditure across these different areas of activity is essential for the long-term sustainability and success of the University. Unlike a commercial business, we do not aim to generate a profit that can be distributed to the owners (shareholders), but we do aim to create a surplus which we can reinvest in the University. These surpluses allow us to initiate new research programs, introduce innovative approaches to teaching, upgrade or replace our buildings, and provide more scholarships. In short, they are our ‘future fund’, without which we will slide backwards in our performance, standing and status as a global university.
1.1 Research revenue and costs

All Australian universities are required to undertake research - the Higher Education Standards Framework (2011) established the undertaking of research in at least three broad fields of study as a necessary condition for the designation of university status. However, research is much more than an entry threshold - it is the predominant determinant of university reputation, particularly with respect to international comparisons, and a vibrant and well-resourced research environment is essential for the recruitment and retention of high performing staff and graduate students. Every Australian university therefore promotes its research capability and achievements, every Australian university submits its research and research staff for evaluation in the periodic national research assessment exercise (ERA - Excellence for Research in Australia), and every Australian university enrols PhD students.

Research and research training activities are funded from block grants and competitively won grants and contracts, but these sources of revenue do not cover the full cost of research. Because research is a key driver of national and international reputation, universities seek to provide additional sources of funding for research, and this requires subsidization from the other primary source of revenue, teaching. The Group of Eight (Go8) universities receive roughly 70 per cent of Australian competitive research grants and account for a similar proportion of other externally-funded research, so they require the major share of cross-subsidization for the nation’s university-based research activity.

1.2 Teaching revenue and costs

Teaching revenue is derived from five sources:

- Commonwealth supported places (CSP) – the Commonwealth government pays a fee for every enrolled student in any undergraduate course and in some specific Masters courses.
- HECS/HELP – the Commonwealth income-contingent loan program for undergraduate degree fees (Higher Education Contribution Scheme - HECS) and for other degree fees (Higher Education Loan Program – HELP).
- Full-fee domestic students – non-undergraduate programs, which may include short courses and Masters programs.
- International full-fee students.
- Government scholarships – particularly for Australian PhD students.

Every CSP student is required to make a personal contribution to the cost of their study, which can be fully covered by a HECS loan. The government continues to set the level of both the CSP contribution and the HECS contribution for domestic undergraduate students, and the value of the government CSP contribution and the HECS contribution varies by subject. Until 2011 the government also set an admissions quota for each university. From January 2012 universities have been free to admit as many domestic students as they wish, and since then undergraduate enrolments have soared (mainly among non-traditional and low ATAR students).

Each university can determine its own fee level for international students and full-fee domestic students. Most domestic Masters courses charge full fees, but a limited number of Masters places in courses assessed by the government as providing
essential professional training receive CSP funding at the same rate as undergraduate courses in the same subject area.

2. The UWA business model

2.1 UWA research revenue and costs

A report on research costs conducted for the government by Allen Consulting in 2009 estimated that for every $1 received in government research grants, on average the receiving university had to find a further 99 cents from its other sources of revenue to cover the cost of research overheads (technical, IT, and support staff, laboratory space and equipment, utilities and general administration). The costs for UWA were estimated at 86 cents in the dollar, which for 2014 equates to $175 million infrastructure costs on a research income of $204 million. The university receives additional research income in the form of a block grant from the government, which covers just under 30% of overhead costs, and we impose a 35% infrastructure charge on non-government research contracts and consultancies. Overall, therefore, we need to find around $100 million annually from other sources to sustain the current level of research grant activity.

UWA’s success in recent years in increasing its research intensity and performance (up again this year to 87 in the Academic Ranking of World Universities) has increased the pressure on internal cross-subsidisation, and consequently reduced the proportion of each dollar of teaching revenue available to support teaching and learning activities.

2.2 UWA teaching revenue and costs

Table 1 shows the current fee levels for different types of students at UWA. The eight discipline areas are determined by the government, and reflect the very different level of government and student resourcing for different fields of domestic undergraduate study. Charges are levied at the unit rather than program level, so a student who takes a broadening unit in commerce or science will pay more than for a broadening unit in social science or languages (though because these student charges are rolled up into a HECS debt, the price differentials are barely visible to students, and do not appear to influence student choice).

The combined CSP and HECS revenue for a domestic engineering or science undergraduate is more than double that for a domestic law, commerce or humanities student. These revenue differences broadly reflect underlying differences in the cost of teaching (driven largely by laboratory costs). However, the fees charged to international students are largely invariant with respect to subject; UWA sets its international fees at or just below the median for the Group of Eight. If we think of the difference between total domestic revenue and international revenue for each discipline cluster as an indicator of profit or surplus, it becomes clear that an international commerce student generates more than double the surplus of an international science student.

These differences in revenue by type of student and discipline area have a big impact on the average revenue per student. If we add together all income derived from CSP, HECS, international and domestic full-fee students, and government scholarships, and divide by the total number of full-time equivalent students, we obtain an estimate of the average revenue per student. UWA has
the lowest average revenue per FTE student in the Go8. In 2014 we received average revenue per student of $19,241, whereas the University of Queensland (UQ) was around the average of the Go8 at $22,155, and the University of Melbourne was at the top with revenue per student of $24,997.

These differences are highly significant. If UWA received the same average revenue per student as UQ, then without recruiting or teaching a single additional student, and without having to build and maintain any additional teaching infrastructure, we would earn an additional $62 million per annum; if we were to match Melbourne’s average fee we would earn $122 million more.

UWA’s low fee trajectory has emerged over more than a decade. In 2004 Melbourne was already receiving average fees well above the rest of the Go8, but UWA and UQ had almost identical average revenue per student. Today, UQ receives on average 15% higher fees than UWA.

Our low average revenue per student is a consequence of:

- A relatively small proportion of international students
- A low proportion of full-fee domestic postgraduate students

- Our ability to derive a surplus from teaching activities is also constrained by:
  - A relatively high proportion of (high cost) science students
  - An over-reliance on undergraduate enrolments

None of these circumstances has been a chance occurrence.

International Students. In 1995 the University determined, by means of a Senate resolution, that international students should not exceed 15 per cent of UWA’s enrolment. Although this threshold has been exceeded at UWA throughout the past decade, other universities have done much more to drive their international enrolments. In 2004 international student load at UWA was 16.5%, 16.9% at UQ, and 23.9% at Melbourne. By 2014, the levels were 20.9%, 24.5% and 30.9% respectively. In practice, however, the gap is wider, because around 3.5% of UWA’s students are international students enrolled overseas in programs run with partners in Singapore and Hong Kong. These programs charge low fees, which in some cases barely cover costs, and many are progressively being closed. In effect, therefore, UWA has just 17.4% of

Table 1: 2015 UWA fees for domestic and international students

<table>
<thead>
<tr>
<th>Discipline area</th>
<th>Government (CSP)</th>
<th>Student (HECS)</th>
<th>Total Domestic</th>
<th>International UG</th>
<th>International PG (Coursework)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Law, Commerce</td>
<td>1,961</td>
<td>10,266</td>
<td>12,227</td>
<td>33,000</td>
<td>33,000</td>
</tr>
<tr>
<td>2 Humanities</td>
<td>5,447</td>
<td>6,152</td>
<td>11,599</td>
<td>27,000</td>
<td>27,000</td>
</tr>
<tr>
<td>3 Social studies, maths</td>
<td>9,637</td>
<td>6,152</td>
<td>15,789</td>
<td>31,500</td>
<td>28,500</td>
</tr>
<tr>
<td>4 Education</td>
<td>10,026</td>
<td>6,152</td>
<td>16,178</td>
<td>n/a</td>
<td>27,500</td>
</tr>
<tr>
<td>5 Language, visual arts</td>
<td>11,852</td>
<td>6,152</td>
<td>18,004</td>
<td>31,500</td>
<td>28,500</td>
</tr>
<tr>
<td>6 Nursing</td>
<td>13,232</td>
<td>6,152</td>
<td>19,384</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>7 Science, Engineering,</td>
<td>16,850</td>
<td>8,768</td>
<td>25,618</td>
<td>33,000</td>
<td>35,000</td>
</tr>
<tr>
<td>8 Medicine, Dentistry</td>
<td>21,385</td>
<td>10,266</td>
<td>31,651</td>
<td>n/a</td>
<td>67,400</td>
</tr>
</tbody>
</table>
full-fee international students studying in Perth. This difference in international student proportions accounts for the majority of the difference in average revenue per student. In 2014 international student fees generated a revenue of $103 million for UWA, $311 million for UQ, and $440 million for Melbourne (UQ and Melbourne are almost exactly double the size of UWA in terms of student enrolments).

Full-fee Students. UWA chose not to make use of the option introduced in 1996 to charge full fees to domestic students who did not gain a place through the standard competitive admissions process. In 2002 this bar on charging full fees to domestic students led to the University deciding not to introduce summer school programs which levied additional fees on domestic students who chose to enrol in them (Sydney and UNSW make extensive use of this facility). In 2010 the University determined that to minimize the financial impact on students of the move to professional graduate (Masters) programs, it would maximize the number of CSP places available to Masters students. A consequence of this is that, although Masters programs are typically more expensive to teach than undergraduate programs, for the majority of domestic Masters students at UWA the revenue is the same as for undergraduate courses. At UWA we receive revenue of $12,227 per annum for each domestic student following the JD program. By contrast, at the University of Melbourne, where the majority of domestic Masters students pay full fees, most JD students pay over $36,000 per annum (largely supported by the HELP Commonwealth loan program). In 2014 Melbourne earned over $100 million from domestic student fees, compared to $15 million at UWA.

High-cost subjects. The 2011 Lomax-Smith review of university funding concluded that the cost of undergraduate teaching across different subject areas was broadly aligned with the CSP fee levels reported above in Table 1. This underscores the point that the operating surplus per international (and full-fee domestic) student is much greater in commerce, law and humanities than in science or engineering. In most universities the greatest concentration of international students is in the Commerce faculty. At UWA, however, we currently have more international students in the Science faculty than in the Business School. This reflects a long-term lack of interest in growing international student enrolments in the Business School, which currently has 21% international students compared to 37% at UQ, 51% at Melbourne, 49% at Adelaide, and 63% at ANU. On the other hand, the Science and Engineering faculties have grown their international load (21% and 29% respectively) to be at or above the average for the Go8. Over the last two years the Dean and Deputy Dean of the Business School have begun to reposition the Business School, and it is now actively working to grow its international student load.

Over reliance on undergraduates. An additional, and related, aspect of UWA’s teaching model is a very heavy reliance on undergraduate students. Fifteen years ago, undergraduates accounted for around 80% of students across the Go8 (UWA was at 82%, Melbourne at 79%). Since then all but UWA have increased their graduate coursework intake substantially. We remain 80% undergraduate, compared to 74% at Adelaide and 51% at Melbourne, where the new curriculum has seen a substantial growth of both domestic and international enrolments in Masters programs. UWA’s ‘New Courses’ structure was premised on the development of large-scale recruitment into Masters programs, but too little
preparatory work was done to develop the curriculum, facilities, administrative systems and staff required to support this ambition. UWA’s over-commitment to undergraduate education also constrains our international efforts, because undergraduate recruitment to Australian universities from SE Asia is not expanding, whereas graduate recruitment is still on an upward trend.

2.3 UWA expenditure

In addition to operating with low revenue per student, we also operate with relatively high costs, particularly with respect to staffing. As noted above, salaries and related staffing costs are the single most important expenditure category for all universities, and Table 2 reports key staffing costs and ratios for 2014. UWA commits a much higher proportion of total expenditure to salaries than is the norm across the Go8. This is a consequence of three separate factors. First, average annual per capita employment costs at UWA ($147,000) are 8 per cent higher than at UQ and Melbourne (both at $136,000). This higher overall per capita staffing expenditure at UWA is driven by higher academic staff costs. As Table 3 shows, average per capita academic staff costs at UWA are 27% above Melbourne and 14% above UQ, whereas average non-academic costs are similar across all three institutions. University pay scales are similar, so the differences in average per capita costs are determined primarily by differences in composition. The higher average per capita academic costs at UWA appear to be a function of a higher overall age and seniority structure of the academic staff, which is partly a consequence of a lower proportion of research-only academic staff (40% at UWA, 50% at UQ) who are more likely to be holding early career positions.

The second reason for the high share of employment costs in total expenditure at UWA is that we operate with a very high ratio of professional to academic staff. Table 2 shows that almost 60 per cent of UWA staff are in professional, technical and clerical jobs, compared to fewer than 54 per cent at Melbourne. These ratios do not appear to be driven by internal economies of scale - Adelaide University is marginally smaller than UWA, but also has 54 per cent of staff in non-academic roles. At UWA the share of non-academic staff was 58.1% in 1999 and it rose to reach 60.6% in 2011, since when it has gradually been reduced to 59.7% in 2014. To put this in perspective, if UWA were to operate with the same proportion of non-academic staff as the Go8 average (55.5%), we would have around 350 (16%) fewer such staff on the payroll, and total annual employment costs would be $40 million lower. The distribution of non-academic staff at UWA between faculties and central divisions appears to mirror that of the Go8, so the higher support staff ratio at UWA does not appear to be a consequence of a different approach to administrative devolution.

The third reason for our high share of employment costs in total expenditure

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Proportion of total expenditure allocated to all salaries and to academic salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries as a % of total expenditure</td>
</tr>
<tr>
<td>UWA</td>
<td>63.2</td>
</tr>
<tr>
<td>U Queensland</td>
<td>54.7</td>
</tr>
<tr>
<td>U Melbourne</td>
<td>54.5</td>
</tr>
</tbody>
</table>
The balance between revenue and expenditure, when adjusted by agreed Go8 methodology to produce a true picture of the underlying result, produces data reported in Table 4.

All the research intensive universities are struggling to produce a positive underlying result, and Table 4 at first sight indicates that UWA is doing no better or worse than others. However, as noted above, UWA has managed to avoid consistent underlying losses in recent years only by curtailing investment in core infrastructure and IT. Furthermore, for most of the decade prior to 2009 the university ran a large underlying annual deficit, which was financed by a draw-down on unrestricted cash. This year and next we anticipate that we will again produce a large underlying deficit. This is partly a consequence of the reduced revenue caused by the ‘half cohort’ of 2015 commencing undergraduates, but it also reflects the structural challenges - low revenue and high cost - outlined in the previous section.

Figure 1 shows the unrestricted cash and capital debt positions of the University over the twelve years from 2003 to 2014. Between 2003 and 2009 the University annually spent between $20 million and $30 million more than it earned, and since 2008 the University has taken on $97 million of capital debt.

Any organization that consistently spends more than it earns and under-invests in
core infrastructure will ultimately go out of business.

At UWA we need to be able to bring investment in IT and infrastructure up to the average of the Go8 if we are to create the educational and research environment expected by students and staff. This will require additional annual expenditure of around 3%, or $25 million. In addition, we need to be able to generate an underlying operating surplus of around 4% ($35 million) in order to create an annual ‘future fund’ to support innovation in education, research and engagement. To do this will require a great deal of change, and real commitment by everyone in the University to achieve this goal. We have already started down this path, and in the next section I will outline what we have already done to lay the foundations of future success, and what challenges lie ahead.

3. Securing success for UWA

In 2012 we initiated a large program of adaptation and innovation right across the University so that we could better respond to changes in government policy, technology, student behaviour and preferences, and market competition. Everyone at UWA has been part of this program, which has operated at many different levels within the University, from the general and structural to the specific and detailed. A key part of the plan was a functional realignment of senior management portfolios and responsibilities so that we could begin to work in a more active and responsive manner. This was implemented in January 2014, and provided the foundation for the functional reviews of administrative process carried out in the latter part of 2014. This year we have begun to work on implementation of the recommendations from this review process, and have already seen significant streamlining of structures in Planning and Strategy, Marketing and Recruitment, and Student Services. Much of this change has been behind the scenes, but some of it - our refreshed brand and logo, our new TV advertisement, and a new approach to Open Day - have quite deliberately been very public.

Since September 2012 we have also responded to the 15 development proposals presented in the UWA Futures paper. We have not completed activity in all 15 areas, but it is instructive to see how much we have collectively achieved in just three years. In the Appendix to this paper you can find an evaluation of performance against objectives; the table below provides a summary of how we are tracking.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>UWA</td>
<td>26.8</td>
<td>9.3</td>
<td>-8.5</td>
<td>1.2</td>
<td>14.9</td>
</tr>
<tr>
<td>U Queensland</td>
<td>33.6</td>
<td>-41.7</td>
<td>-50.8</td>
<td>3.2</td>
<td>4.7</td>
</tr>
<tr>
<td>U Melbourne</td>
<td>-16.9</td>
<td>2.4</td>
<td>-5.8</td>
<td>7.2</td>
<td>5.8</td>
</tr>
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</table>
Figure 1  UWA Unrestricted funds 2003-14

<table>
<thead>
<tr>
<th>Year</th>
<th>General Funds</th>
<th>Interest Earning Funds</th>
<th>Capital Program (before Debt)</th>
<th>Capital Debt</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>177</td>
<td>26</td>
<td>31</td>
<td>44</td>
<td>41</td>
</tr>
<tr>
<td>2004</td>
<td>144</td>
<td>28</td>
<td>32</td>
<td>69</td>
<td>43</td>
</tr>
<tr>
<td>2005</td>
<td>116</td>
<td>31</td>
<td>36</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>2006</td>
<td>87</td>
<td>26</td>
<td>42</td>
<td>43</td>
<td>40</td>
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<tr>
<td>2007</td>
<td>31</td>
<td>32</td>
<td>69</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>2008</td>
<td>45</td>
<td>36</td>
<td>(26)</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>2009</td>
<td>45</td>
<td>42</td>
<td>(18)</td>
<td>43</td>
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</tr>
<tr>
<td>2010</td>
<td>95</td>
<td>69</td>
<td>(4)</td>
<td>43</td>
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</tr>
<tr>
<td>2011</td>
<td>123</td>
<td>75</td>
<td>(52)</td>
<td>43</td>
<td>40</td>
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<tr>
<td>2012</td>
<td>116</td>
<td>75</td>
<td>(82)</td>
<td>43</td>
<td>40</td>
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<tr>
<td>2013</td>
<td>114</td>
<td>97</td>
<td>(82)</td>
<td>43</td>
<td>40</td>
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<tr>
<td>2014</td>
<td>146</td>
<td>97</td>
<td>(112)</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td>(93)</td>
<td>43</td>
<td>40</td>
</tr>
</tbody>
</table>

% Change p.a
- 2003-2011
- General Funds: -30% -42% -44% -21%
- Interest Earning Funds: -19% -19% -25% -64% 45% 0% 111% 30% -6% -2% 29%
- Capital Program (before Debt): -19% -19% -25% -64% 45% 0% 111% 30% -6% -2% 29%
- Capital Debt: -19% -19% -25% -64% 45% 0% 111% 30% -6% -2% 29%
- Reserves: -19% -19% -25% -64% 45% 0% 111% 30% -6% -2% 29%

Total (excluding debt): 177 144 116 87 31 (24) 26 48 41 17 49

2003-2010 per 2011 P&B Workshop Table
- General Funds: 177 144 116 87 31 1 (24) 26 48 41 17 49
- Interest Earning Funds: 26 28 31 26 32 36 42 39
- Capital Program (before Debt): 31 12 (24) (32) (82) (82) (87) (88)
- Capital Debt: 44 69 69 75 75 97 97
- Reserves: 41 43 46 41 33 19 47 93 90 135 51 41
in order to extend mentoring and personal support for students during their first year of study. In other cases, such as with the design and implementation of professional development and performance management frameworks, we have met our targets and are now working with the new arrangements.

While we continue to work on these 15 areas, we should also recognise the need to look for other opportunities to develop and improve what we do and how we do it. Universities are places where conventions are challenged, where new ideas are generated, and we must ensure that we are as progressive in our way of operating as we are in our way of thinking. The remainder of this paper identifies the areas of focus where we will need to design and implement change in order to be academically successful and operationally efficient.

**Revenue**

As noted in section 2, we have to increase our total revenue and our revenue per student. We have already taken significant steps to ensure this. Since the beginning of 2014 we have been developing articulation agreements with a number of Chinese universities which will generate a flow of well-qualified students who will commence their studies in China and then come to UWA to complete their undergraduate degree, or in some cases to articulate into a postgraduate degree. Our partner universities in China are high quality - for example South West University in Chongqing has an undergraduate entry threshold equivalent to an ATAR of 97. These articulation students will primarily flow into the Business, Engineering and Science faculties.

Even before the articulation students arrive (significant numbers begin to flow only in 2017) we know that our international students are performing well. Completion rates for international students in 2014 were significantly higher than for domestic students - 87% to 72% for undergraduates, 91% to 75% for postgraduate coursework, and 70% to 52% for HDR. Domestic undergraduates have generally higher grade point averages (GPAs), though the third quartile GPA for international and domestic students is identical, which suggests that at the top end of the performance range domestic students on average outperform international students, but that at the bottom end the domestic cohort is substantially weaker than the international cohort.

The articulation agreements, together with more sophisticated digital marketing and process improvements to our recruitment and admissions activities for applicants from all countries, should see the proportion of international students on our Perth campus rising from the current level of 17.4% to between 23 and 25% by 2020. But we must not neglect the challenge of recruiting domestic students in an increasingly competitive local market. We will need to redouble our communications with schools and their students, and further elaborate the merits of a UWA undergraduate degree, followed by a professional Masters qualification, as the foundation stone for a successful career.

**Costs**

We must address the high cost base of the University. This is not a simple task. Our high ratio of professional to academic staff is a reflection of the organisational structure and history of the University. Rather than doing things once, we have tended to do them many times over (faculty by faculty, school by school, division by division) in slightly different ways. As an example, we have over 400 separate IT business systems in the
### Table 5  Evaluation of progress against UWA Futures proposals

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal 1: That the University conduct a full review of pedagogic purpose and practice in 2013, with the aim of introducing new pedagogies from the beginning of 2015</td>
<td>★ ★ ★ ★ ★</td>
</tr>
<tr>
<td>Proposal 2: That the University develop its campus facilities and services</td>
<td>★ ★ ★ ★</td>
</tr>
<tr>
<td>Proposal 3: That the University further develop structures for personalised mentoring and academic support</td>
<td>★ ★ ★ ★</td>
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The star rating is based on the following evaluation:

- ★: No active engagement
- ★ ★: Analysis and scoping undertaken
- ★ ★ ★: Plans developed; implementation commenced
- ★ ★ ★ ★: Plans partially implemented
- ★ ★ ★ ★ ★: Plans fully implemented
The functional reviews conducted in the latter part of 2014 identified many examples of process complexity and redundancy, and the work now underway across the University that is examining and changing our ways of undertaking internal administration is designed to secure an operating environment for the University that is sustainable, flexible and responsive. Most administrative processes will be required to change, some modestly, others radically, and this means that most work roles will also change. Just as we need to drive revenue by increasing our international student load to the Go8 average by 2020, so we need to bring our professional to academic staff ratio down to the Go8 average in the same time period.

We also need to examine the cost of our academic activities. Since the introduction of the curriculum change, we have increased the number of undergraduate units offered to students from 946 in 2012 to 1306 in 2016, with most of the growth coming at the honours level. If teaching workload is represented by the number of units on offer, then we have increased this workload by almost 40% at a time when our overall undergraduate enrolments have barely changed. This has happened at the same time that we have been launching new Masters programs that require additional teaching input. In effect we have chosen to increase the cost of teaching without a commensurate increase in revenue by spreading our teaching capability more thinly across more units. We need to benchmark our performance here with our Go8 peers.

An additional, but rather different, opportunity for cost alleviation relates to the university calendar, and how we use resources across the year. Although some teaching activities take place on just about every week except...
for the period between Christmas and New Year, the great majority of our teaching takes place during two 13-week semesters. This means that most of our lecture theatres and laboratories, our libraries and coffee shops, are underutilised (and in many cases completely empty) for at least one third of the year. If we are to increase our international student intake without putting up more expensive buildings, we will need to find ways of using the existing infrastructure more efficiently. A number of universities in Australia offer some units in a condensed ‘summer semester’ of between 6 and 8 weeks. We offer just 18 units across a summer teaching period; the ANU, which is slightly smaller than UWA, offers 244. The University of New South Wales, which already runs a short summer semester with 413 units on offer, has recently announced that it is considering moving to a full three-semester year. We will need to give careful consideration to these options, with a view to implementing a revised academic calendar as soon as practicable.

**Service**

Increased revenue and lower costs are prerequisites for success, but they do not guarantee it. A further essential area for improvement is service. If we are to be successful in the education we provide our students, in the research we undertake, and in our engagement with communities beyond the university, then we need to analyse what we do from the perspective of the people and organisations that we serve, who, in turn, provide us with the income we need to do our work. We should ask whether we are meeting their expectations as well as we can, and to a greater degree than other equivalent universities or research institutes. And even if we are doing a really excellent job, we should always consider whether we could do even better, so that we can stay ahead of our competitors.

We also need to apply this analysis of service delivery to our internal operations - are we meeting the expectations of our own staff and students, and surpassing the service levels attained by other universities, in HR, or Finance, or Student Administration, or Research Services. To answer this question requires that each service area defines an explicit and transparent set of service standards against which both their ambition and their performance can be evaluated.

Many parts of the University are now working on this task, and one way to accelerate this work is to seek objective feedback from internal clients. This type of ‘customer feedback’ can be as challenging as are referee comments on academic papers, but it is an essential element in the honest evaluation of institutional performance.

One type of ‘customer feedback’ we systematically collect is from students, who are repeatedly surveyed by both UWA and the government about their university experience, the quality of teaching and, once they graduate, on their career progression and earnings. The UWA results in a number of national surveys of student experience and satisfaction have been disappointing for several years, although most of the national data relates to students who graduated two or more years ago, and who, therefore, have not studied under the post-2012 curriculum. Our own internal student surveys indicate that student satisfaction has been improving over the last two years. However, we have much more work to do here, and the commitment of the University to the Education Futures plan, and the establishment of the Centre for Education Futures at the beginning of this year, represent a move to address an
This reputational deficit is perhaps not surprising. Other WA universities have been actively promoting themselves internationally for a number of years to boost recruitment, whereas UWA capped international recruitment in 1995, declined to advertise at all until 2011, and even then limited its advertising to an Australian audience. We must promote the University more actively - its superb research, its excellent courses, its vibrant student life and its extensive links with industry. We must aim to increase our international reputation to the median of the Go8 by 2020.

Renewal

A final area for attention is staff renewal. UWA has one of the oldest age structures in the Go8 among both academic and professional staff. This creates a significant risk that we might lose essential knowledge and capability through the more-or-less simultaneous retirement of many senior colleagues. We need to engage in a conscious process of workforce planning and renewal, taking into account the differing needs and demographic profiles of each part of the university. We should particularly focus on the recruitment of more junior academic staff, while always bearing in mind that, for their careers to flourish, they need to be supported and mentored by an appropriate number of senior colleagues.

4 Getting from here to there

There is much work to be done to enhance the University’s performance across these five areas: revenue, cost, service, reputation and renewal, and much is already under way. Some of the actions already undertaken have been quite specialised - for example, negotiating student articulation agreements with select overseas universities. Others,
such as the move to electronic processing of purchase orders and payments, involve many people across the university. As we strive to meet targets and objectives in all five areas, we should recognize that progress will be achieved by a combination of big and small steps.

Major structural and organizational change is being coordinated under our Sustainable Futures program. We have already implemented significant changes to the way we organize our recruitment and admissions teams, and we are currently working on plans to develop our IT, Finance and HR services. However, many of the improvements we know we can make will take place at a local level. A hundred small changes may have as great an impact on service delivery as one large university-wide initiative. This means that everyone has a role to play in securing the success of UWA by setting ambitious targets for innovation, change and improvement.

The University is fortunate to have so many high-performing, analytical and imaginative staff, and we now need to harness all this talent to identify the very best opportunities for change. Some of this work was commenced last year as part of the functional review process, but much of it remains to be done, and much of it needs to happen locally, because the knowledge about how to improve a clunky process or business system resides with those who daily operate the process or use the system. We therefore need to liberate the University’s capacity for creative thinking and targeted action.

Among the more than 3,600 staff in the University there will be many hundreds of great ideas about ways to change, or even stop, some of the things we habitually do. Identifying these ideas is the key to achieving an increase in international student recruitment, improving student satisfaction, reducing administrative delay, enhancing the reputation of UWA among international employers, or delivering improvement to one of the multitude of educational, research and engagement activities we undertake every day. This paper has set out the key challenges that we must address if we are to remain successful, but it has done no more than provide an outline of how we might respond. The details need to be filled in, and I encourage everyone to contribute to this process.

We will need to work quickly to develop and implement proposals for change and improvement. As this paper has made clear, the University’s current operating model is not sustainable: our costs are too high, our revenue is too low, and we are not able to support the internal ‘future fund’ which we need in order to undertake essential academic investment and innovation. UWA has been a phenomenally successful university in recent years, and we now have to ensure that we rearrange our finances and our operations so that this success can be carried forward for future generations of students and staff.

Please talk with colleagues about the issues raised in this paper, and develop your ideas for innovation and change. I invite all staff to contribute ideas on what can be done to address any of the five challenges outlined above by participating in the Blackboard discussion forum: www.lms.uwa.edu.au or send to me directly at paul.johnson@uwa.edu.au.

Paul Johnson
Vice-Chancellor
Appendix 1

PERFORMANCE ACHIEVEMENTS

Proposal 1: That the University conduct a full review of pedagogic purpose and practice in 2013, with the aim of introducing new pedagogies from the beginning of 2015. The review will consider, among other factors:

- the effectiveness of different teaching styles
- the preferences of students for different combinations of online and face-to-face learning
- the technological and infrastructure requirements of different approaches to teaching and learning
- the skills and capabilities required of teaching and support staff
- the opportunities for national and international collaboration in the design and delivery of educational programs

1. Education Futures launched in 2013, including a vision statement and 7 key elements – professional development, learning technologies, futures observatory, staff orientation, news and events, innovation and teaching awards, resources.

2. The Pro Vice-Chancellor (Education Innovation) was appointed in October 2014 to lead the implementation of the Education Futures vision.

3. The Centre for Education Futures was launched in January 2015

4. A new learning management system, Blackboard, was introduced for semester 2 of 2015

5. Carpe Diem learning design workshops, supporting the redesign of over 2000 units, have been offered in a new learning design studio since July 2015


Achievement: ★ ★ ★ ★ ★

Proposal 2: That the University develop its campus facilities and services (including residential colleges) with the explicit intention of enhancing the learning opportunities of students.

1. Establishment of Student Central in refurbished building completed end 2014

2. Major refurbishment of Ross & Clues Lecture Theatres completed January 2015

3. Several lecture rooms in Arts refurbished in 2015 (G60, G61, G62)

4. 1000 new student rooms in College Row: 520 at University Hall in March 2013, 235 at St Catherine’s College in April 2014, and 245 currently under construction at St Thomas More College.

5. Centralised admissions for residential colleges – now a coordinated approach

6. A review of Sport led to the dissolution of the UWA Sport and Recreation Association in June 2015. A new wholly owned subsidiary of UWA established, UWA Sport Pty Ltd, to better align the activities of sport and recreation across the University.

7. New hockey facilities built at UWA Sports Park

Achievement: ★ ★ ★ ★

Proposal 3: That the University further develop structures for personalised mentoring and academic support for all, and particularly for first year, students, to enhance their engagement with the learning

Achievement: ★ ★ ★ ★ ★
opportunities provided by the University.
1. In 2014 UniMentor was expanded to include postgraduate coursework students (an Australian first)
2. In 2015 248 postgraduate mentors supported 700 new students under the University’s long-standing mentoring programs, UniMentor (new to University), ConnectMe (new to Perth) and the BPhil Mentoring program.
3. Postgraduate mentors increased by 132% in 2015; students receiving mentoring increased by 43%.
4. Prospect was trialed in Semester 2 of 2015 – a two-day orientation program for commencing students in the Business School and Faculties of Science and Engineering, Computing and Mathematics – with the goal of introducing students to learning styles and academic life at UWA.

Achievement: ★ ★

Proposal 4: That the University develop its study abroad program, with the goal of doubling the participation of undergraduate students by 2020.

1. Significant growth in the range of options available for student exchange.
2. An observable growth trend in our data, with number of students undertaking a recognized overseas experience almost doubling from 2012 to 2014.
3. UWA policy framework for student mobility close to being finalized, including a proposal to extend opportunities for an overseas study experience to any student with a WAM of 50+ (rather than 65 as at present)

Achievement: ★ ★

Proposal 5: That the University review, revise and develop its Cycle 2 (Masters) and Cycle 3 (PhD) programs during 2013, and begin to bring new programs to market in 2015.

2. New policy on ‘Volume of Learning and Structure for postgraduate courses’ approved by Academic Council in 2013 (allows greater flexibility).
3. 7 more university-wide policies relating to Cycle 2 courses developed (simplified and streamlined) since 2012 (better equipping the university to deliver/support Cycle 2 courses).
4. New professional courses developed – Juris Doctor (JD), Doctor of Medicine (MD), Master of Professional Engineering (MPE), Master of Teaching (MTeach).
5. In early 2014, 40 new Cycle 2 courses were set-up on CAIDi (new online curriculum approval system).
6. In September 2014, a framework and argument for a distinctive UWA approach to the design of PhD programs was presented to Academic Board (but no new PhD programs have been brought to market).

Achievement: ★ ★

Proposal 6: That the University further concentrate its research effort in areas of recognised national and international excellence, and in areas of demonstrable research potential.

1. A Research Strategy Group was formed in February 2015
2. Each faculty has developed a targeted strategic plan for research performance over the next 5 years to improve research quality (as measured by ERA)
3. Research priorities have been revised to align strengths with the State and National Science priorities and to elevate the Humanities and Social Sciences research priority clusters.

Achievement: ★ ★ ★ ★

Proposal 7: That all academic recruitment at level B and above be aligned with the workforce and research plan of the relevant unit; be based on an extensive national and international search; and, be referenced against rigorous objective criteria.

1. In August 2014, the Senior Deputy Vice-Chancellor proposed an integrated approach to planning, organization and delivery of processes associated with staffing. This led to the ‘People, Potential, Performance (PPP) Report’.

2. The PPP framework is aligned explicitly to the University’s integrated planning exercise, which commenced as an annual process in April 2015.

Achievement: ★ ★

Proposal 8: That the University further refines its approach to professional development and performance management to ensure that all staff can contribute to the University’s future in an equivalent, fair and effective manner.

1. In October 2014, 23 recommendations of the PPP report were prioritized and communicated to stakeholders.

2. Probation – Policy revised and webpage updated.


4. Academic Titles – 80% of academic staff have migrated to traditional academic titles. This will continue to be monitored as staff are recruited and contracts renewed.

5. Promotion – A streamlined, online application approach has been adopted and HR are transitioning all promotion documentation to TRIM. HR has also undertaken a review of current practice.

6. Reward and Recognition – review examined the extent to which current reward structures reward and incentivise high performance in pursuit of the University’s strategy. A recommendation recommending the introduction of professorial zoning, requiring clearly defined standards of expected performance at different professorial levels, with associated current and future reward arrangements being articulated more transparently, has been approved by management and is moving to implementation.

7. Performance Appraisal & Review – the PDR and PAR have been amalgamated and a new performance appraisal scheme will be developed as the next phase of the PPP implementation.

8. Leadership development for Heads of School, led by the SDVC, has begun. The first leadership day for Heads of Schools is being held in July 2015.

9. Equality and Inclusion Strategy - A discussion paper, “Equality and Inclusion: Strategy and Framework 2015-2020” was formally launched by the SDVC in April 2015. This paper acted as a stimulus for dialogue and feedback to help focus and shape the University’s effort in this area and is now going through a process of consultation across the University. UWA has also, via the SDVC, agreed to act as a pilot site for the forthcoming Athena Swan project, initiated by the NHMRC and ARC.

10. Workload Models - A Workload
Committee has been established to create an overarching set of principles to guide faculties developing transparent, fair and consistent workload model. The work of this group will be informed by work being undertaken as part of the enterprise wide Activity Based Costing exercise.

Achievement: ★ ★ ★ ★

Proposal 9: That the University review the interplay of organisational structure and budget principles in order to promote effective action and co-operation across the University in the delivery of teaching and research programs.

1. The first Integrated Planning Exercise was undertaken by all Faculties and central areas in 2015, bringing together the strategic and operational planning of all units across the university.

2. A Strategy, Planning and Performance Office has been established, which aims to provide integrated strategy and planning coordination across the whole university, a new focus on performance analytics and insightful analysis, an increased strategic focus in Legal and Risk management services, and increased productivity, efficiency and focus in service delivery.

Achievement: ★ ★ ★ ★

Proposal 10: That the University review the opportunities for international research cooperation, and develop policies to further strengthen international research linkages.

1. UWA played leadership role in Worldwide Universities Network (WUN) in 2015 (as Chair of the Academic Advisory Group and hosting 2 Global Challenges). UWA’s membership of WUN has had a strong positive impact on research output – increasing external funding, quality and quantity of publications.


3. Formal agreements signed around India-Pacific region.


5. Inauguration of Perth USAsia Centre in January 2014

Achievement: ★ ★ ★ ★

Proposal 11: That the University review its scholarship and bursary schemes in light of possible funding and market changes to the Australian higher education sector to ensure they will continue to support the equity and access goals of the University.

1. A Scholarships Working party was established to recalculate the way we view scholarships as a key factor in student recruitment and retention.

2. Since 2012, $48m has been pledged from business and industry; and $78.5m from Charitable Foundations – with 16.53% for “student support”.

3. Fundraising priorities for student scholarships have been established (for equity and access, graduate programs and PhD top-ups).

Achievement: ★ ★ ★ ★

Proposal 12: That the University encourage further research engagement with business and government by providing more support for staff to develop research relationships, and by giving explicit recognition to research impact in the evaluation of
individual and unit performance.

1. The Office of Industry and Innovation was restructured and merged with the Research Development Team, to create the Office of Development and Innovation.

2. The criteria for academic promotion has been revised to include ‘impact and innovation’.

3. A new approach to industry engagement has been applied, with a focus on Open IP and active engagement with industry partners.

4. Awards for Impact and Innovation have been incorporated into the VC’s annual Research Awards.

5. The UWA Innovation Quarter (IQ) has been established to align innovation and entrepreneurial efforts across the University. 5 programs have been piloted under the new IQ – BloomLab, Start Something, Woodside Ocean Works, M04U and CEED.

6. Industry funded research has increased $50m since 2012 – including 2 out of the nation’s 5 ‘Industrial Transformation Programs’ and 7 Chairs.

7. UWA produced one ‘spin out’ company from the School of Chemistry & Biochemistry – Eridan – in 2013 with Venture Capitalist, Yuuwa, to commercialise nanoparticle technology for drug delivery applications.

Achievement: ★ ★ ★ ★ ★

Proposal 14: That the University use data from the UniForum benchmarking survey of service activities and quality to review the performance of our administrative and professional service, and to implement change and improvement where appropriate.

1. Four years of UniForum surveys have been completed, providing comparative data as benchmarked against 34 university members from across Australia, New Zealand and United Kington.

2. Analysis from Uniforum showed opportunities for improvement across a range of areas including in finance, travel procurement and general administration. Subsequently, the Integrated Financial Performance Management program (IFPM) has driven significant change in financial management including the introduction of a new resource model and budgeting and forecasting process; within the University throughout 2014. The recommendations resulting from the findings form a body of work called ‘Sustainable Futures’.

2. The Strategic Implementation Group (SIG) was formed in April 2015 to promote an integrated, enterprise-level approach to the implementation and alignment of strategic projects at UWA. At present, there are 11 projects in total. The SIG is also responsible for the coordination of regular, consistent and open communications about the program of change across the University.

3. An activity based costing enterprise workload model project has commenced.

Achievement: ★ ★ ★ ★ ★
and the implementation of financial management system, Hyperion.

3. UniForum data was key source data for the Functional Reviews, which led to work within the Sustainable Futures program and continuous improvements currently underway.

Achievement: ★ ★ ★ ★

Proposal 15: That the University develop and implement plans for the more effective use of its physical assets.

1. A Total Asset Management approach has been adopted by integrating (1) building condition assessments; (2) the Minor and Capital Works programs and (3) space management.

2. Space Management systems have undergone improvement and business processes for improved data management, integrity and reporting have been supported. A space-cosing model has been introduced, utilising occupancy area as a basis for attributing cost of overheads as operating costs.

3. We have worked with the Tertiary Education Facilities Management Association and the Group of 8 to establish industry guidelines, standards and annual benchmarking data.

4. An Asset Planning Strategy has been developed and implemented, aligning professional service areas to the new organisational structure, achieving greater space utilisation.

5. The following major capital developments have been completed:
   - Joondalup Health Campus – a joint collaboration.
   - CO2 Research Facility.
   - Student Central.
   - University Hall.
   - Harry Perkins Institute of Medical Research – North and South Buildings.

Achievement: ★ ★ ★ ★